

VZCZCXYZ0015
PP RUEHWEB

DE RUEHSN #0637 1881900
ZNR UUUUU ZZH
P 071900Z JUL 09
FM AMEMBASSY SAN SALVADOR
TO RUEHC/SECSTATE WASHDC PRIORITY 1352
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE
RUCPDO/DEPT OF COMMERCE WASHINGTON DC

UNCLAS SAN SALVADOR 000637

SIPDIS
SENSITIVE

E.O. 12958: N/A
TAGS: [ECON](#) [EMIN](#) [SENV](#) [EINV](#) [ES](#)

SUBJECT: NEW ENVIRONMENT MINISTRY MOVES TO BAN MINING, SENDS
"ANTI-DEVELOPMENT" SIGNALS

REF: 07 SANSALVADOR 2440

¶1. (SBU) SUMMARY: A proposed mining moratorium and statements about hydroelectric projects suggest that the new Ministry of Environment may be adopting an "anti-development" stance. The Ministry has proposed a moratorium on mining, while the FMLN delegation in the Legislative Assembly is pushing for a permanent ban on all mining. Either decision could open the GOES to new litigation. Similarly, the Ministry has indicated that it will not approve new hydroelectric or thermal generation projects. On the other hand, Presidency Chief of Cabinet Alex Segovia recently told the press that the GOES is willing to negotiate a resolution to the CAFTA-DR arbitration claim filed by Pacific Rim Mining Corporation. END SUMMARY.

¶2. (SBU) During a June 12 meeting, new Vice Minister Lina Pohl of the Ministry of Environment (MARN) informed Econoff that the GOES will pursue a moratorium on mining (NOTE: the moratorium has not gone into effect as of July 6. END NOTE). Pohl also stated that MARN will be more cautious in approving permits and plans to reform the environmental impact assessment process so that "citizen groups" have a greater voice. Pohl said that MARN is unlikely to support the development of the state-run Comision Ejecutiva Hidroelectrica Del Reio Lempa (CEL) 260 Mega Watt hydro-electric dam project ("Cimarron"), which is currently in development, due to environmental impact concerns. On July 2, Carlos Salazar, a member of the Board of Directors at CEL, told the Charge and Econoffs that MARN confirmed to CEL in a recent meeting that the GOES will not approve "Cimarron." Salazar also stated that he was informed the GOES will not approve the expansion or new construction of thermo-electric plants.

¶3. (U) On June 16, FMLN members of the Legislative Assembly called for the permanent prohibition of exploration and exploitation of gold and silver in El Salvador. Under the proposal, companies involved in mining activities in El Salvador would have 180 days to abort operations and leave the country. The FMLN failed to pass similar legislation in 2008 because of strong ARENA party opposition. On July 2, a representative of Commerce Group, which operates mines in Eastern El Salvador, notified Econoff that they were preparing an arbitration case should the ban pass.

¶4. (U) On the other hand, Technical Secretary to the President (equivalent to Chief of Cabinet) Alex Segovia said in a June 23 interview that the GOES is willing to negotiate an amicable resolution to the CAFTA-DR arbitration claim filed by Pacific Rim Mining Corporation (reftel). Segovia acknowledged that the merits of the Pacific Rim case were strong and that the GOES historically has a poor international arbitration record. Pacific Rim formally entered arbitration on April 30 and seeks damages in excess of \$100 million.

¶5. (SBU) COMMENT: The early policy decisions coming from MARN suggest the ministry may be adopting what the private sector views as an "anti-development" stance. While the prospect of a settlement in the Pacific Rim case is welcome news, the mining moratorium and,

should it pass, a permanent ban would open the GOES up to additional international litigation and arbitration. At the very least, the new MARN appears to be following in its predecessor's footsteps in adopting a cumbersome permit process. Former President Saca, and now the new GOES, are unwilling to face the determined opposition of the church to investment in mining. As one of Post's contacts described the new Ministry, "it doesn't look any better and it may well be worse." END COMMENT.

BLAU